

CHEBOYGAN HOUSING COMMISSION  
CHEBOYGAN, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2008  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Cheboygan Housing Commission	County* CHEBOYGAN	Type* OTHER	MuniCode*
Opinion Date-Use Calendar* October 9, 2008	Audit Submitted-Use Calendar* October 21, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	? \$765,374
General Fund Expenditure:	? \$747,728
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$495,136
Governmental Activities Long-Term Debt (see instructions):	?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Barry	Last Name* Gaudette	Ten Digit License Number* 1101011050			
CPA Street Address* 731 S. Garfield Ave.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 2319468930	
CPA Firm Name* Barry E. Gaudette, CPA, PC	Unit's Street Address* 659 Cuyler Street	Unit's City* Cheboygan	Unit's Zip* 49721		

CHEBOYGAN HOUSING COMMISSION  
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## INTRODUCTION

*Independent Auditor's Report*

Board of Commissioners  
Cheboygan Housing Commission  
Cheboygan, Michigan

I have audited the accompanying financial statements of the business-type activities of Cheboygan Housing Commission, Michigan (Housing Commission), a component unit of the City of Cheboygan, as of and for the year ended March 31, 2008, which comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Cheboygan Housing Commission, Michigan, as of March 31, 2008, and the respective changes in financial position, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Cheboygan Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated October 9, 2008, on my consideration of Cheboygan Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 10, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Cheboygan Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Cheboygan Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



October 9, 2008

**Cheboygan Housing Commission  
Management's Discussion and Analysis (MD&A)  
March 31, 2008  
(Unaudited)**

As management of the Cheboygan Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Cheboygan Housing Commission's financial activities for the fiscal year ended March 31, 2008. This discussion and analysis letter of the Cheboygan Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

**FINANCIAL HIGHLIGHTS**

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2008 were \$495,136. The net assets increased by \$17,646, an increase of 3.7% over the prior year.

Revenues and contributions for the Commission were \$765,374 for the fiscal year ended March 31, 2008. This was an increase of \$66,715 or 9.5% over the prior year.

Expenses for the Commission were \$747,728 for the fiscal year ended March 31, 2008. This was a decrease of \$49,900 or 6.3% from the prior year.

HUD operating grants were \$691,705 for the fiscal year ended March 31, 2008. This was an increase of \$79,067 or 12.9% over the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Basic Financial Statements*. This report also contains the *Financial Data Schedule (FDS)* as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

proprietary funds.

### Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

### Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

## FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.



### **Cheboygan Housing Commission Programs:**

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. The Housing Commission also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies, since the Housing Commission has less than 250 low rent units. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

### **FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$495,136 at the close of the fiscal year ended March 31, 2008 an increase from \$477,490 in 2007. The increase in net assets of \$17,646 was due to the change in net assets for the fiscal year.

The unrestricted net assets were \$188,918 as of March 31, 2008. This amount may be used to meet the Commission's ongoing obligations. The Commission had \$69,660 in net assets that are classified as restricted and are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF NET ASSETS  
MARCH 31,**

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 286,586	\$ 226,833	\$ 59,753	26.34%
Capital assets	<u>236,558</u>	<u>269,803</u>	<u>( 33,245)</u>	<u>(12.32)%</u>
Total Assets	<u>523,144</u>	<u>496,636</u>	<u>26,508</u>	<u>5.34%</u>
Current liabilities	<u>28,008</u>	<u>19,146</u>	<u>8,862</u>	<u>46.29%</u>
Total Liabilities	<u>28,008</u>	<u>19,146</u>	<u>8,862</u>	<u>46.29%</u>
Net Assets:				
Invested in capital assets	236,558	269,803	( 33,245)	(12.32)%
Restricted	69,660		69,660	100.00%
Unrestricted	<u>188,918</u>	<u>207,687</u>	<u>( 18,769)</u>	<u>( 9.04)%</u>
Total Net Assets	<u>\$ 495,136</u>	<u>\$ 477,490</u>	<u>\$ 17,646</u>	<u>3.70%</u>

Current and other assets increased by \$59,753 mostly from the increase in cash flows of \$61,844, of which \$54,873 came from operating activities.

The current liabilities increased by \$8,862, in large part, due to accrued compensated absences being set up in the amount of \$7,590 this fiscal year. Also, accounts payable to vendors increased by \$1,416 over the prior fiscal year.

The largest portion of the Commission's net assets reflects its investment in capital assets(e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions increased by \$66,715, in part, due to a decrease in operating subsidy of \$13,515, which was offset by an increase in HUD operating grants for the Housing Choice Voucher program of \$85,393, and tenant rents decreased by \$12,307 due to tenant incomes decreasing, respectively.

**FINANCIAL ANALYSIS (CONTINUED)****CONDENSED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
MARCH 31,**

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
<b>Revenues and contributions</b>				
Operating, nonoperating, capital contributions:				
Rental revenue	\$ 62,767	\$ 75,074	\$ (12,307)	(16.4)%
HUD operating grants	691,705	612,638	79,067	12.9%
Interest income	8,862	9,020	( 158)	1.8%
Other income	<u>2,040</u>	<u>1,927</u>	<u>113</u>	5.9%
Total Revenues and Contributions	<u>765,374</u>	<u>698,659</u>	<u>66,715</u>	9.5%
<b>Expenses</b>				
Personnel services	163,926	148,307	15,619	10.5%
Utilities	15,698	19,249	( 3,551)	(18.4)%
Operations & maintenance	28,794	24,621	4,173	16.9%
Insurance	11,130	10,738	392	3.7%
Payments in lieu of taxes	4,448	5,232	( 784)	(15.0)%
Other supplies & expenses	52,538	30,142	22,396	74.3%
Housing Assistance Payments	433,856	466,886	(33,030)	( 7.1)%
Depreciation	<u>37,338</u>	<u>92,453</u>	<u>(55,115)</u>	(59.6)%
Total Expenses	<u>747,728</u>	<u>797,628</u>	<u>(49,900)</u>	( 6.3)%
Change in net assets	17,646	( 98,969)	116,615	
Beginning net assets	<u>477,490</u>	<u>576,459</u>	<u>(98,969)</u>	
Ending net assets	<u>\$ 495,136</u>	<u>\$477,490</u>	<u>\$ 17,646</u>	

Total expenses for the Housing Commission decreased by \$49,900, due in part, to cost of living increases in employee benefits and wages, maintenance contracts increased by \$3,338, other supplies and expenses increased by \$22,396 due mostly to a misclassification in the prior year of \$13,175 in housing inspection costs incurred and other sundry expense increases. Also, the depreciation expense decreased by \$55,115 due to several assets being fully depreciated.

### FINANCIAL ANALYSIS (CONTINUED)

The following represents changes in Federal Assistance received:

<u>Program Source</u>	<u>March 31,</u> <u>2008</u>	<u>March 31,</u> <u>2007</u>	<u>Dollar</u> <u>Change</u>	<u>Per Cent</u> <u>Change</u>
Public Housing Operating Subsidy	\$ 60,744	\$ 74,259	\$ (13,515)	(18.20)%
Capital Fund Program Grants	59,107	51,918	7,189	13.85%
Sec. 8 Voucher	<u>571,854</u>	<u>486,461</u>	<u>85,393</u>	<u>17.55%</u>
Total	<u>\$ 691,705</u>	<u>\$612,638</u>	<u>\$ 79,067</u>	<u>12.91%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. Capital Fund Program grants were used entirely for operating costs this fiscal year. The subsidy for the Section 8 Housing Choice Voucher program increased by \$85,393 due to HUD's new funding method, being a High Performer gave the Housing Commission extra money. The Public Housing subsidy decreased \$13,515 due to HUD's continuing reduction in funding to 75% of what should have been paid. The increase in the Capital Fund Program was due to the fact that the Housing Commission used some of the prior years CFP and all of this year's CFP.

#### *Budget Analysis:*

A Low Rent Public Housing Operating Budget for fiscal year ended March 31, 2008 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

### OPERATIONAL HIGHLIGHTS

The Cheboygan Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>March 31,</u> <u>2008</u>	<u>March 31,</u> <u>2007</u>
Low Rent Public Housing	38	38
Sec. 8 Housing Choice Voucher	120	120

During Fiscal year ended March 31, 2008, Cheboygan Housing Commission maintained a lease-up rate of 98.2% in its Public Housing Program and a lease-up rate of 97.8% in its Section 8 program. These lease-up rates are well in excess of HUD guidelines.

**OPERATIONAL HIGHLIGHTS (CONTINUED)**

During Fiscal year ended March 31, 2008, our Capital Fund Program work projects included:

- \* The purchase of computers.

For the fiscal year ending March 31, 2009 we will be installing new gutters and a new security system.

**CAPITAL ASSETS**

The Cheboygan Housing Commission's investment in capital assets, as of March 31, 2008 amounts to \$236,558 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS  
NET OF ACCUMULATED DEPRECIATION  
MARCH 31,**

	<u>2008</u>	<u>2007</u>	<u>Dollar Change</u>
Land	\$ 20,559	\$ 20,559	\$
Buildings	1,689,126	1,689,126	
Furniture, equipment and machinery - dwelling	26,484	26,484	
Furniture, equipment and machinery - administration	101,973	97,880	4,093
Building improvements	<u>205,444</u>	<u>205,444</u>	
	2,043,586	2,039,493	4,093
Accumulated depreciation	<u>(1,807,028)</u>	<u>(1,769,690)</u>	<u>( 37,338)</u>
Total	<u>\$ 236,558</u>	<u>\$ 269,803</u>	<u>\$ ( 33,245)</u>

The total decrease in the Housing Commission's capital assets for the current fiscal year was \$33,245 or 12.3% in terms of net book value. Actual expenditures to purchase equipment was \$4,093 for the year.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes).

### REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Dorene Stempky, Executive Director  
Cheboygan Housing Commission  
659 Cuyler Street  
Cheboygan, Michigan

## FINANCIAL STATEMENTS

CHEBOYGAN HOUSING COMMISSION  
**STATEMENT OF NET ASSETS**  
March 31, 2008  
=====

**ASSETS**

Current Assets:	
Cash and cash equivalents	\$ 185,402
Cash-restricted	69,660
Investments	20,000
Receivables	231
Prepaid expenses	10,183
Inventories	<u>1,110</u>
Total Current Assets	<u>286,586</u>
Capital Assets:	
Land	20,559
Buildings	1,689,126
Equipment	128,457
Building improvements	<u>205,444</u>
	2,043,586
Less: accumulated depreciation	<u>( 1,807,028)</u>
Net Capital Assets	<u>236,558</u>
Total Assets	<u>\$ 523,144</u>

See notes to financial statements



CHEBOYGAN HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
March 31, 2008  
=====

**LIABILITIES and NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 11,403
Tenant security deposit liability	5,504
Accrued expenses	9,855
Deferred revenues	<u>1,246</u>
Total Current Liabilities	<u>28,008</u>
Net Assets:	
Invested in capital assets	236,558
Restricted net assets	69,660
Unrestricted net assets	<u>188,918</u>
Total Net Assets	<u>495,136</u>
Total Liabilities and Net Assets	<u>\$ 523,144</u>

See notes to financial statements

CHEBOYGAN HOUSING COMMISSION  
**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS**

Year Ended March 31, 2008  
=====

**OPERATING REVENUES:**

Dwelling rent	\$ 62,350
Nondwelling rent	417
Operating grants	<u>691,705</u>
Total operating revenues	<u>754,472</u>

**OPERATING EXPENSES:**

Administration	163,968
Tenant services	1,501
Utilities	15,698
Ordinary maintenance and operation	79,639
General expenses	15,728
Housing assistance payments	433,856
Depreciation	<u>37,338</u>

Total operating expenses	<u>747,728</u>
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Operating income(loss)	<u>6,744</u>
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**NONOPERATING REVENUES:**

Investment interest income	8,862
Other income	<u>2,040</u>

Total nonoperating revenues	<u>10,902</u>
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Change in net assets	17,646
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Net assets, beginning	<u>477,490</u>
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Net assets, ending	<u><u>\$ 495,136</u></u>
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See notes to financial statements

CHEBOYGAN HOUSING COMMISSION  
**STATEMENT OF CASH FLOWS**  
Year Ended March 31, 2008  
=====

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 62,868
Cash received from operating grants	691,705
Cash payments to other suppliers of goods and services	( 538,278)
Cash payments to employees for services	( 156,190)
Cash payments for in lieu of taxes	<u>( 5,232)</u>
Net cash provided by operating activities	<u>54,873</u>

**CASH FLOWS FROM NONCAPITAL**

**FINANCING ACTIVITIES:**

Tenant security deposits	162
Other revenue	<u>2,040</u>
Net cash provided by noncapital financing activities	<u>2,202</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Payments for capital acquisitions	<u>( 4,093)</u>
Net cash (used) by capital and related financing activities	<u>( 4,093)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Receipts of interest and dividends	<u>8,862</u>
Net cash provided by investing activities	<u>8,862</u>

Net increase(decrease) in cash 61,844

Cash and cash equivalents, beginning 193,218

Cash and cash equivalents, ending \$ 255,062

CHEBOYGAN HOUSING COMMISSION  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended March 31, 2008  
=====

RECONCILIATION OPERATING INCOME (LOSS)  
TO NET CASH PROVIDED BY OPERATING  
ACTIVITIES:

Operating income(loss)	\$ 6,744
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	37,338
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	( 231)
Prepaid expenses	2,322
Increase (decrease) in liabilities:	
Accounts payable	1,416
Accrued wage/payroll taxes payable	146
Accrued compensated absences	7,590
Accounts payable-PILOT	( 784)
Deferred revenues	<u>332</u>
Net cash provided by operating activities	<u>\$ 54,873</u>

See notes to financial statements

CHEBOYGAN HOUSING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
March 31, 2008  
=====

**NOTE 1: Summary of Significant Accounting Policies**

The Cheboygan Housing Commission (the Housing Commission) is a component unit of the City of Cheboygan, a Michigan home rule city. The Housing Commission is a Public Housing Agency created by the City of Cheboygan on October 3, 1958, consisting of a five member board appointed by the City Mayor and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1(a) Financial Reporting Entity**

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
---------------------	--------------------

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

## **1(b) Basis of Presentation**

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

<b>Program</b>	<b>Brief Description</b>
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.

## **1(c) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position,

## **1(c) Measurement Focus and Basis of Accounting (Continued)**

### **Measurement Focus (Continued)**

and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

### **Basis of Accounting**

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

## **1(d) Assets, Liabilities, and Equity**

### **Cash and Investments**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

### **Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

### **Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Inventories**

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

### **Insurance**

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

### **Budgets and Budgetary Accounting**

The Housing Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

### **Estimates and Assumptions**

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

### **Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$200 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building improvements	3 - 20 years
Buildings	40 years
Equipment	3 - 10 years



## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Compensated Absences**

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. There was no unused accumulated vacation leave as of March 31, 2008.

### **Equity Classifications**

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".
- c. Restricted net assets - Consists of net assets of the Housing Choice Voucher program that are restricted by HUD because of excess funding, but are expendable for HAP payments.

## **1(e) Revenues, Expenditures, and Expenses**

### **Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

### **Interfund Transfers**

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

## **1(e) Revenues, Expenditures, and Expenses (Continued)**

### **Post Employment Benefits**

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

### **Income Taxes**

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

## **NOTE 2: Stewardship, Compliance, and Accountability**

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

### **2(a) Program Accounting Requirements**

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD
Housing Choice Vouchers	U.S. Department of HUD

### **2(b) Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

## 2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Capital Fund Program	Modernization

For the year ended March 31, 2008, the Housing Commission complied, in all material respects, with these revenue restrictions.

## NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

### 3(a) Cash and Investments

#### Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at March 31, 2008. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$247,751	\$247,751	\$	\$	\$ 237,554
Savings	17,458	17,458			17,458
	<u>\$265,209</u>	<u>\$265,209</u>	<u>\$</u>	<u>\$</u>	<u>\$ 255,012</u>

### 3(a) Cash and Investments (Continued)

#### Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at March 31, 2008. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	<u>Custody Credit Risk</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>Category</u>	<u>Category</u>	<u>Category</u>		
	<u>1</u>	<u>2</u>	<u>3</u>		
Certificates of deposits	<u>\$ 20,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Cash on hand	\$ 50
Carrying amount of deposits	255,012
Investments	<u>20,000</u>
Total	<u>\$ 275,062</u>
Cash and investments:	
Enterprise activities	\$ 285,259
Enterprise activities - checks written in excess of deposits	<u>( 10,197)</u>
Total	<u>\$ 275,062</u>

### 3(b) Capital Assets

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Balance</u> <u>03/31/07</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>03/31/08</u>
<b>Low Rent Program</b>				
Land	\$ 20,559	\$	\$	\$ 20,559
Buildings	1,689,126			1,689,126
Furniture, equip. & machinery - dwellings	26,484			26,484
Furniture, equip. & machinery - administration	84,263	4,093		88,356
Building improvements	205,444			205,444
	<u>2,025,876</u>	<u>\$ 4,093</u>	<u>\$</u>	<u>2,029,969</u>
Less accumulated depreciation	<u>(1,756,861)</u>	<u>\$ ( 36,870)</u>	<u>\$</u>	<u>(1,793,731)</u>
Total	<u>\$ 269,015</u>			<u>\$ 236,238</u>
<b>Housing Choice Voucher Program</b>				
Furniture, equip. & machinery - administration	\$ 13,617	<u>\$</u>	<u>\$</u>	\$ 13,617
Less accumulated depreciation	<u>( 12,829)</u>	<u>\$ ( 468)</u>	<u>\$</u>	<u>( 13,297)</u>
Total	<u>\$ 788</u>			<u>\$ 320</u>
<b>Combined Totals</b>				<u><u>\$ 236,558</u></u>

Depreciation expense was charged to functions/programs of the government as follows:

#### Business-type activities:

Low Rent Program	\$ 36,870
Housing Choice Voucher Program	468
	<u>\$ 37,338</u>

### 3(c) Accounts receivable

Receivables detail at March 31, 2008, is as follows:

Accounts receivable - tenants	<u>\$ 231</u>
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### 3(d) Accounts Payable

Payable detail at March 31, 2008, is as follows:

Accounts payable - vendors	\$ 6,955
Accounts payable - other government-PILOT	4,448
	<u>\$ 11,403</u>

### 3(e) Interprogram Transactions and Balances

#### *Operating Transfers*

There was an operating transfer of \$59,107 from the Capital Fund Program to the Low Rent Program during the fiscal year ended March 31, 2008.

#### *Interprogram Receivable/(Payable)*

Housing Choice Vouchers	\$ ( 18,744)
Low Rent Program	18,744
	<u>\$</u>

### NOTE 4: Other Notes

#### 4(a) Employee Retirement Plan

On May 4, 2005, the Housing Commission adopted Resolution 2005/09, Retirement/Pension Plan for Cheboygan Housing Commission. This plan was implemented retroactive to April 1, 2004. The Housing Commission authorized on June 2, 2004, the Executive Director to remove \$20,000 from the general fund to establish the retirement/pension plan by depositing said sum into Account #414053455 at First Federal Savings & Loan Bank.

All permanent full-time employees are required to participate in the Program as a condition of their employment.

The employer will calculate eight percent(8%) on the employee's gross wages, pretaxed, and the Cheboygan Housing Commission will match the amount withheld and all monies are to be deposited at First Federal of Northern Michigan Bank in a Commercial Money Market account set up specifically for the Cheboygan Housing Commission Retirement Program. As of March 31, 2008 the total amount held in the retirement account was \$60,512, which does not include the \$20,000 deposit.

The pension plan is a defined benefit pension plan. The employer contributions during the fiscal year ended March 31, 2008 totaled \$11,374.

#### 4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with the Housing Insurance Services, Inc.
b. Injuries to employees (workers' compensation)	Purchased insurance with Firstcomp Insurance Company.
c. Physical property loss and natural disasters	Purchased commercial property insurance from the Housing Insurance Services, Inc.
d. Commercial liability	Purchased commercial liability insurance with Housing Authority Risk Retention Group.
e. Health	Blue Cross Blue Shield.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

#### 4(c) Commitments and Contingencies

##### Commitments - Construction

At March 31, 2008, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2006	\$ 56,311	\$ 56,311
2007	54,714	54,714

##### Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

SUPPLEMENTARY INFORMATION



CHEBOYGAN HOUSING COMMISSION  
COMBINING STATEMENT OF NET ASSETS  
BY PROGRAM

March 31, 2008

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C-3023 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
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**ASSETS**

Current assets:

Cash and cash equivalents	\$	108,369	\$	
Cash-restricted				
Investments-unrestricted		20,000		
Receivables		231		
Prepaid expenses		9,245		
Inventories		1,110		
Due from other programs		<u>18,744</u>		<u>          </u>

Total current assets		<u>157,699</u>		<u>          </u>
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Capital assets:

Land		20,559		
Buildings		1,689,126		
Equipment		114,840		
Building improvements		<u>205,444</u>		<u>          </u>
		2,029,969		
Less accumulated depreciation		<u>( 1,793,731)</u>		<u>          </u>

Net capital assets		<u>236,238</u>		<u>          </u>
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Total Assets	\$	<u>393,937</u>	\$	
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Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 77,033	\$ 185,402
69,660	69,660
	20,000
	231
938	10,183
	1,110
	<u>18,744</u>
<u>147,631</u>	<u>305,330</u>
	20,559
	1,689,126
13,617	128,457
	<u>205,444</u>
<u>13,617</u>	2,043,586
( 13,297)	( 1,807,028)
<u>320</u>	<u>236,558</u>
<u>\$ 147,951</u>	<u>\$ 541,888</u>

CHEBOYGAN HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS**  
**BY PROGRAM (CONTINUED)**  
 March 31, 2008  
 =====

	C-3023 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 10,896	\$
Tenant security deposit liability	5,504	
Accrued expenses	7,910	
Deferred revenues	1,246	
Due to other programs	<u>          </u>	<u>          </u>
Total current liabilities	<u>25,556</u>	<u>          </u>
Net Assets:		
Invested in capital assets	236,238	
Restricted net assets		
Unrestricted net assets	<u>132,143</u>	<u>          </u>
Total net assets	<u>368,381</u>	<u>          </u>
Total Liabilities and Net Assets	<u>\$ 393,937</u>	<u>\$</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 507	\$ 11,403
	5,504
1,945	9,855
	1,246
<u>18,744</u>	<u>18,744</u>
<u>21,196</u>	<u>46,752</u>
320	236,558
69,660	69,660
<u>56,775</u>	<u>188,918</u>
<u>126,755</u>	<u>495,136</u>
<u>\$ 147,951</u>	<u>\$ 541,888</u>

CHEBOYGAN HOUSING COMMISSION  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS BY PROGRAM**  
 Year Ended March 31, 2008  
 =====

	C-3023 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 62,350	\$
Nondwelling rent	417	
Operating grants	<u>60,744</u>	<u>59,107</u>
Total operating revenues	<u>123,511</u>	<u>59,107</u>
<b>OPERATING EXPENSES:</b>		
Administration	97,290	
Tenant services	1,501	
Utilities	15,698	
Ordinary maintenance and operation	79,639	
General expenses	15,728	
Housing assistance payments		
Depreciation	<u>36,870</u>	
Total operating expenses	<u>246,726</u>	
Operating income(loss)	<u>( 123,215)</u>	<u>59,107</u>
<b>NONOPERATING REVENUES:</b>		
Operating transfers in(out)	59,107	(59,107)
Investment interest income	4,655	
Other income	<u>2,040</u>	
Total nonoperating revenues	<u>65,802</u>	<u>(59,107)</u>
Change in net assets	( 57,413)	
Net assets, beginning	<u>425,794</u>	
Net assets, ending	<u>\$ 368,381</u>	<u>\$</u>

Housing Choice Vouchers 14.871	Totals
\$	\$ 62,350
	417
<u>571,854</u>	<u>691,705</u>
<u>571,854</u>	<u>754,472</u>
66,678	163,968
	1,501
	15,698
	79,639
	15,728
433,856	433,856
<u>468</u>	<u>37,338</u>
<u>501,002</u>	<u>747,728</u>
<u>70,852</u>	<u>6,744</u>
4,207	8,862
	<u>2,040</u>
<u>4,207</u>	<u>10,902</u>
75,059	17,646
<u>51,696</u>	<u>477,490</u>
<u>\$ 126,755</u>	<u>\$ 495,136</u>

CHEBOYGAN HOUSING COMMISSION  
COMBINING STATEMENT OF CASH FLOWS  
BY PROGRAM

Year Ended March 31, 2008

=====

	C-3023 Low Rent Program 14.850a	Capital Fund Program 14.872
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 62,868	\$
Cash received from operating grants	60,744	59,107
Cash payments to other suppliers of goods and services	( 71,700)	
Cash payments to employees for services	( 124,158)	
Cash payments for in lieu of taxes	( 5,232)	
	<u>( 77,478)</u>	<u>59,107</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating transfers in(out)	59,107	( 59,107)
Tenant security deposits	162	
Due from/to other funds	( 4,727)	
Other revenue	<u>2,040</u>	
	<u>56,582</u>	<u>( 59,107)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Payments for capital acquisitions	( 4,093)	
	<u>( 4,093)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Receipts of interest and dividends	<u>4,655</u>	
	<u>4,655</u>	
Net increase(decrease) in cash	( 20,334)	
Cash and cash equivalents, beginning	<u>128,703</u>	
Cash and cash equivalents, ending	<u>\$ 108,369</u>	<u>\$</u>

Housing Choice Vouchers 14.871	Totals
\$ 571,854	\$ 62,868
( 466,578)	( 538,278)
( 32,032)	( 156,190)
	( 5,232)
<u>73,244</u>	<u>54,873</u>
4,727	162
<u>4,727</u>	<u>2,040</u>
<u>4,727</u>	<u>2,202</u>
	( 4,093)
	( 4,093)
<u>4,207</u>	<u>8,862</u>
<u>4,207</u>	<u>8,862</u>
82,178	61,844
<u>64,515</u>	<u>193,218</u>
<u>\$ 146,693</u>	<u>\$ 255,062</u>



CHEBOYGAN HOUSING COMMISSION  
 COMBINING STATEMENT OF CASH FLOWS  
 BY PROGRAM (CONTINUED)  
 Year Ended March 31, 2008  
 =====

C-3023 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
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RECONCILIATION OF OPERATING INCOME  
 (LOSS) TO NET CASH PROVIDED BY  
 OPERATING ACTIVITIES:

Operating income(loss)	\$( 123,215)	\$ 59,107
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	36,870	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	( 231)	
Prepaid expenses	2,334	
Increase (decrease) in liabilities:		
Accounts payable	1,425	
Accrued wage/payroll taxes payable	146	
Accrued compensated absences	5,645	
Accounts payable-PILOT	( 784)	
Deferred revenues	<u>332</u>	
Net cash (used) by operating activities	<u>\$( 77,478)</u>	<u>\$ 59,107</u>

Housing Choice Vouchers 14.871		Totals
\$ 70,852	\$ 6,744	
468	37,338	
( 12)	( 231)	2,322
( 9)	1,416	
1,945	146	7,590
	( 784)	332
<u>\$ 73,244</u>	<u>\$ 54,873</u>	

CHEBOYGAN HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
Year Ended March 31, 2008  
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal</u> <u>Year</u>	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2008	Low Rent Public Housing	14.850a	\$ 60,744
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2008	Capital Fund Program	14.872	59,107
	<u>Low Income Public Housing</u> <u>Major - Direct Program</u>		
2008	Housing Choice Vouchers	14.871	<u>571,854</u>
	Total		<u>\$ 691,705</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

CHEBOYGAN HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE**  
Year Ended March 31, 2008  
=====

FDS Line Item No.		C-3023 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 102,865	\$
113	Cash-other restricted		
114	Cash-tenant security deposits	<u>5,504</u>	
100	Total cash	<u>108,369</u>	
131	Investments-unrestricted	<u>20,000</u>	
	Receivables:		
126	Accounts receivable-tenants- dwelling rents	<u>231</u>	
120	Total receivables, net of allowances for doubtful accounts	<u>231</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	9,245	
143	Inventories	1,110	
144	Interprogram due from	<u>18,744</u>	
	Total other current assets	<u>29,099</u>	
150	Total current assets	<u>157,699</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	20,559	
162	Buildings	1,689,126	
163	Furn, equip & mach-dwellings	26,484	
164	Furn, equip & mach-admin.	88,356	
165	Building improvements	205,444	
166	Accumulated depreciation	<u>(1,793,731)</u>	
160	Total fixed assets, net of accumulated depreciation	<u>236,238</u>	
180	Total noncurrent assets	<u>236,238</u>	
190	Total Assets	<u>\$ 393,937</u>	<u>\$</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 77,033 69,660 <u>          </u>	\$ 179,898 69,660 <u>5,504</u>
<u>146,693</u>	<u>255,062</u>
<u>          </u>	<u>20,000</u>
<u>          </u>	<u>231</u>
<u>          </u>	<u>231</u>
938 <u>          </u>	10,183 1,110 <u>18,744</u>
<u>938</u>	<u>30,037</u>
<u>147,631</u>	<u>305,330</u>
13,617 <u>( 13,297)</u>	20,559 1,689,126 26,484 101,973 205,444 <u>( 1,807,028)</u>
<u>320</u>	<u>236,558</u>
<u>320</u>	<u>236,558</u>
<u>\$ 147,951</u>	<u>\$ 541,888</u>

CHEBOYGAN HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended March 31, 2008  
=====

FDS Line Item No.		C-3023 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 6,448	\$
321	Accrued wage/payroll taxes payable	2,265	
322	Accrued compensated absences-current portion	5,645	
333	Accounts payable-other government	4,448	
341	Tenant security deposits	5,504	
342	Deferred revenues	1,246	
347	Interprogram due to	<u>          </u>	<u>          </u>
310	Total current liabilities	<u>25,556</u>	<u>          </u>
300	Total liabilities	<u>25,556</u>	<u>          </u>
	Net Assets:		
508.1	Invested in capital assets	<u>236,238</u>	<u>          </u>
508	Total invested in capital assets	236,238	
511.1	Restricted net assets		
512.1	Unrestricted net assets	<u>132,143</u>	<u>          </u>
513	Total Net Assets	<u>368,381</u>	<u>          </u>
600	Total Liabilities and Net Assets	<u>\$ 393,937</u>	<u>\$</u>

Housing Choice Vouchers 14.871	Totals
\$ 507	\$ 6,955
	2,265
1,945	7,590
	4,448
	5,504
	1,246
<u>18,744</u>	<u>18,744</u>
<u>21,196</u>	<u>46,752</u>
<u>21,196</u>	<u>46,752</u>
<u>320</u>	<u>236,558</u>
320	236,558
69,660	69,660
<u>56,775</u>	<u>188,918</u>
<u>126,755</u>	<u>495,136</u>
<u>\$ 147,951</u>	<u>\$ 541,888</u>

CHEBOYGAN HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended March 31, 2008  
=====

FDS Line Item No.		C-3023 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 62,350	\$
704	Tenant revenue-other	<u>417</u>	
705	Total tenant revenue	62,767	
706	HUD PHA grants	60,744	59,107
711	Investment income-unrestricted	4,655	
715	Other income	2,040	
720	Investment income-restricted		
700	Total revenue	<u>130,206</u>	<u>59,107</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	43,768	
912	Auditing fees	2,100	
914	Compensated absences	8,746	
915	Employee benefit contributions		
	-administrative	26,590	
916	Other operating-administrative	16,086	
	Tenant Services:		
924	Tenant services-other	1,501	
	Utilities:		
931	Water	6,409	
932	Electricity	3,213	
933	Gas	6,076	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	24,142	
942	Ordinary maint & oper-mat'ls & other	10,479	
943	Ordinary maint & oper-contract costs	18,315	
945	Employee benefit contributions	26,703	
	General expenses:		
961	Insurance premiums	11,130	
963	Payments in lieu of taxes	4,448	
964	Bad debt-tenant rents	<u>150</u>	
969	Total operating expenses	<u>209,856</u>	
970	Excess operating revenue over operating expenses	<u>( 79,650)</u>	<u>59,107</u>



Housing Choice Vouchers 14.871	Totals
\$	\$ 62,350
	417
	62,767
571,854	691,705
2,993	7,648
	2,040
1,214	1,214
576,061	765,374
19,458	63,226
1,400	3,500
3,481	12,227
11,038	37,628
31,301	47,387
	1,501
	6,409
	3,213
	6,076
	24,142
	10,479
	18,315
	26,703
	11,130
	4,448
	150
66,678	276,534
509,383	488,840

CHEBOYGAN HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
 Year Ended March 31, 2008  
 =====

FDS Line Item No.		C-3023 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
973	Housing assistance payments		
974	Depreciation expense	<u>36,870</u>	<u>          </u>
	Total other expenses	<u>36,870</u>	<u>          </u>
900	Total expenses	<u>246,726</u>	<u>          </u>
	<b>Other Financing Sources(Uses):</b>		
1001	Operating transfers in(out)	<u>59,107</u>	<u>(59,107)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	( 57,413)	
1103	Beginning Net Assets	<u>425,794</u>	<u>          </u>
	Ending Net Assets	<u>\$ 368,381</u>	<u>\$</u>

Housing Choice Vouchers 14.871	Totals
433,856	433,856
<u>468</u>	<u>37,338</u>
<u>434,324</u>	<u>471,194</u>
<u>501,002</u>	<u>747,728</u>
<u>75,059</u>	<u>17,646</u>
<u>51,696</u>	<u>477,490</u>
<u>\$ 126,755</u>	<u>\$ 495,136</u>

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Board of Housing Commissioners  
Cheboygan Housing Commission  
Cheboygan, Michigan

I have audited the financial statements of the business-type activities of Cheboygan Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2008, which comprise the Housing Commission's basic financial statements and have issued my report thereon dated October 9, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control.

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*

Cheboygan Housing Commission

Page Two

**Internal Control Over Financial Reporting (Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated October 9, 2008.

This report is intended solely for the information and use of management, the Board of Housing Commissioners, others within the entity, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



October 9, 2008

**Report on Compliance with Requirements  
Applicable To Each Major Program and on  
Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Board of Housing Commissioners  
Cheboygan Housing Commission  
Cheboygan, Michigan

**Compliance**

I have audited the compliance of Cheboygan Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements  
Applicable to Each Major Program and  
on Internal Control Over Compliance  
in Accordance with OMB Circular A-133  
Cheboygan Housing Commission  
Page Two

**Compliance (continued)**

In my opinion, the Housing Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008.

**Internal Control Over Compliance**

The management of the Housing Commission, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Report on Compliance with Requirements  
Applicable to Each Major Program and  
on Internal Control Over Compliance  
in Accordance with OMB Circular A-133  
Cheboygan Housing Commission  
Page Three

**Internal Control Over Compliance (Continued)**

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Housing Commissioners, others within the entity, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Sam E. Tardella, CPA, PC*

October 9, 2008



CHEBOYGAN HOUSING COMMISSION  
STATUS OF PRIOR AUDIT FINDINGS  
March 31, 2008

=====

**Finding 2007-1:** The Housing Choice Voucher program had required and recommended documentation missing, incorrect, or incomplete in the tenant files. This finding has been cleared.

CHEBOYGAN HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
March 31, 2008  
=====

**SECTION I - SUMMARY OF AUDITOR RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Cheboygan Housing Commission.
2. There were no control deficiencies disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Cheboygan Housing Commission were disclosed during the audit.
4. There were no reportable conditions in internal control over major federal award programs disclosed during the audit is reported in the Section III - Federal Award Findings.
5. The auditor's report on compliance for the major federal award programs for Cheboygan Housing Commission expresses an unqualified opinion on the Housing Choice Voucher major program.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:  

Housing Choice Voucher program      CFDA No. 14.871
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Cheboygan Housing Commission was determined to be a high-risk auditee.

CHEBOYGAN HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
March 31, 2008  
=====

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None

**SECTION III - FEDERAL AWARD FINDINGS**

None

CHEBOYGAN HOUSING COMMISSION  
**INDEPENDENT AUDITORS' REPORTS  
ON COMMUNICATIONS WITH THE  
BOARD OF COMMISSIONERS  
AND  
MANAGEMENT ADVISORY COMMENTS**

MARCH 31, 2008

October 9, 2008

To the Board of Commissioners  
Cheboygan Housing Commission

I have audited the financial statements of the business-type activities of each major fund of the Cheboygan Housing Commission ("Housing Commission") for the year ended March 31, 2008, and have issued my report thereon dated October 9, 2008. Professional standards require that I provide you with the following information related to my audit.

**My Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133.**

As stated in my engagement letter dated September 3, 2008, my responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing my audit, I considered Cheboygan Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. I also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Cheboygan Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit. Also in accordance with OMB Circular A-133, I examined, on a test basis, evidence about Cheboygan Housing Commission's compliance with the types of compliance requirements

**My Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133 (Continued)**

described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Cheboygan Housing Commission's compliance with those requirements. While my audit provides a reasonable basis for my opinion, it does not provide a legal determination on Cheboygan Housing Commission's compliance with those requirements.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cheboygan Housing Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending March 31, 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There is no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

Management's estimate of depreciation and allowance for bad debt were based on the useful life of the asset and the likelihood of collecting tenant rents based on prior experience. I evaluated the key factors and assumptions used to develop the depreciation expense and bad debt expense allowance in determining that they were reasonable in relation to the financial statements taken as a whole.

**Significant Audit Findings (Continued)**

*Qualitative Aspects of Accounting Practices (Continued)*

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no significant disclosures.

*Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

*Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

*Management Representations*

I have requested certain representations from management that are included in the management representation letter dated October 9, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those

**Significant Audit Findings (Continued)**

*Management Consultations with Other Independent Accountants  
(Continued)*

statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission personnel during the course of my work.

This information is intended solely for the use of the audit committee or its equivalent, management, HUD, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Barry E. Gaudette, CPA



**CHEBOYGAN HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS**

March 31, 2008

=====

**Procurement Policy**

The Housing Commission has a procurement policy that was adopted in September 2006. 24 CFR 85 and HUD Handbook 7460.8 REV.2 (March 2007) incorporates changes in Federal laws and regulations.

I recommend that the Housing Commission order the new Handbook and adopt another procurement policy to be sure that you're in compliance with the new law.

**Check Preparation**

The Housing Commission's Executive Director is a check signer, has approval authority, and prepares the checks.

Although the Housing Commission appears to have many controls in place for the disbursement of funds, I believe internal controls can be improved by having another staff person(a noncheck signer) prepare the checks from supporting documentation of operating expenditures, payroll, and HAP payments to landlords.

**Choice of Flat Rent versus Income Based Rent**

Currently the Housing Commission offers tenants the choice of flat rent or income based rent and considers the documentation to be the tenants signature on the notice of rent changes the includes the worksheet and HUD form 50058.

I recommend that the Housing Commission provide a separate form for the tenant to sign each year indicating their choice.

**Waiting List**

During my testing of the waiting list for the Low Rent Public Housing Program, it was noted that a waiting list was in the tenant files showing where the tenant was on the waiting list at the time of selection, but several of these waiting lists did not indicate why the names above the selected tenant were passed by.

I recommend that each waiting list indicate why the applicant(s) above the selected applicant were passed over.

CHEBOYGAN HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
(CONTINUED)

March 31, 2008

=====

**Lead Based Paint Disclosure**

The Housing Commission currently has the tenant sign a form that indicates they read the Lead Based Disclosure booklet for the Housing Choice Voucher Program.

I recommend that the Housing Commission obtain a Lead Based Paint Disclosure form that is signed by the tenant and landlord and placed in the tenant file.

**Tenant File Testing - Housing Choice Voucher Program**

I selected seven tenant files at random from an Ad-hoc Tenant Report provided by the Housing Commission. I started with the third name and picked every nineteenth name after that.

The results of my testing is as follows:

	<u># of Exceptions</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file of incorrect	0
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	0
5. Incorrect Verification of Assets	0
6. Inspection Report missing for fiscal or was incorrect	0
7. Lease missing or incorrect	0
8. Application missing or incorrect	0
9. Copy of Photo I.D. missing	0
10. Copy of Proof of Social Security Number	0
11. Annual Review not done for fiscal year or not documented	0
12. Worksheet for HUD-50058 missing or incorrect	0
13. Notice of Rent Adjustment missing or incorrect	0
14. Criminal Background Check not done, not documented, or it was in the file	0
15. Declaration of 214 Status missing or incorrect	3
* 0024-02 missing	
* 0076-03 two were missing	
16. Lead Based Paint Disclosure missing or incorrect	(1) 0

CHEBOYGAN HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
(CONTINUED)

March 31, 2008

=====

**Tenant Files - Housing Choice Voucher Program (Continued)**

	<u># of Exceptions</u>
17. Check for Previous Eviction from Public Housing not done or incorrect	0
18. Request for Tenancy Approval not done or incorrect	0
19. Voucher not in file or it was incorrect	0
20. HAP Contract missing or incorrect	0
21. HAP Tenancy Addendum missing	0
22. Rent Reasonableness Test missing or incorrect	(2) 0
23. Inspection-Life Threatening Corrections made >24 hours	0
24. Inspection-Non-life Threatening Corrections made >30 days or past extension	0
25. Proper action not taken if (23) or (24) was violated	0
26. Annual Family Composition Review missing or incorrect	0
27. Copy of Birth Certificate missing	<u>0</u>
Total	<u>3</u>

Out of a possible a possible 155, there were only 3 exceptions from this test. This represents an exception rate of 1.94%. In the prior year the exception rate was 19.78%. The Housing Commission staff has made an significant improvement over the prior year.

(1) The lead based paint disclosure form was not in the tenant file, but each tenant signs a form that they have read the lead based paint disclosure booklet. I've made a recommendation that the Housing Commission obtain a lead based paint disclosure form and both the tenant and landlord should sign and place it in the tenant file.

(2) The Housing Commission has been doing the rent reasonableness test, but it is on page two of the "Request for Tenancy Approval" form, which I had questions as to whether this was adequate or not. As of May 2008, the Housing Commission, is contracting with an outside contractor to prepare the rent reasonableness test for each tenant on an annual basis.

CHEBOYGAN HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
(CONTINUED)

March 31, 2008

=====

**Tenant File Testing - Low Rent Public Housing Program**

I selected five tenant files at random to test. Out of a possible 83, there were *no exceptions*.